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**ARIZONA CORPORATION COMMISSION**

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January 26, 2005

Mr. Tom Bannigan, President  
Products Pipelines  
Kinder Morgan Energy Products  
500 Dallas Street  
Suite 1000  
Houston, TX 77002

Dear Mr. Bannigan:

For the fourth time in less than two years, Arizona's gasoline supply has been temporarily suspended due to problems with Kinder Morgan pipelines. While I understand the clear need to halt operations on the Western line when it is threatened by weather or other events, the repetitive nature of such problems is disconcerting. Arizona residents expect a constant supply of gasoline through functional pipelines. When frequent disruptions occur on this critical supply pipeline, it raises serious concerns.

The last 18 months have been trying times for everyone vested with the responsibility of providing gasoline to Arizona. In addition to the major rupture on June 30, 2003 of the 6" line from Tucson to Phoenix, we experienced:

- A two-day shutdown beginning on October 20<sup>th</sup>, 2004 after a train derailment in Fontana, California
- The brief stoppage of the line last month on December 10<sup>th</sup> when a boxcar, toppled by bad weather, fell directly on top of a supply line to the Western line.
- The Jan. 10 shutdown due to erosion underneath the line caused by significant rainfall near Colton, California.

The frequency of disruption of the Western pipeline into Arizona, due to forces of nature and human error, suggests the need for KM and state regulators to seek out ways to mitigate the effects of these events on the Western pipeline.

On January 11, Tom Jensen and I had the opportunity to discuss steps the company might take to enhance the reliability of these pipelines. Mr. Jensen told me that KM is working with San Bernardino County and the Southern Pacific Railroad to craft solutions. He also said that KM may consider directionally boring the pipeline, which allows for deeper burial of the line in areas that are prone to railroad derailments or rain-caused washouts.

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Working with relevant local governments and railroad companies is a good first step toward solving this problem. Whether the final solution is a redesign using box culverts or directional boring of the pipeline or potentially both, I encourage your company to keep working on ways to improve the safety record of KM pipelines. I would also be interested in receiving regular updates on your efforts in this regard.

The addition of a 117,000-barrel storage tank was a welcome effort in ensuring that Arizona has the fuel it needs in the event of an emergency, and the extra storage has mitigated the potential effects of temporary shutdowns. Please inform me of any current plans or projects that would further enhance storage capacity at the West Phoenix Tank Farm.

Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", written in a cursive style.

Kris Mayes  
Commissioner  
Arizona Corporation Commission

Cc: Jeff Hatch-Miller, Chairman  
Commissioner William Mundell  
Commissioner Marc Spitzer  
Commissioner Mike Gleason  
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